

May 15, 2006



Acquisition

Acquisition of the Objective Individual Combat Weapon Increments II and III (D-2006-087)

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Acronym

OICW Objective Individual Combat Weapon



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

May 15, 2006

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on the Acquisition of the Objective Individual Combat Weapon
Increments II and III (Report No. D-2006-087) (U)

(U) We are providing this report for information and use. This report is the second in a series of reports on the overall management of the Objective Individual Combat Weapon (OICW). The first report, DoD Inspector General Report No. D-2006-004, "Acquisition of the Objective Individual Combat Weapon," October 7, 2005, addressed an internal control weakness associated with the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology). During the audit of the acquisition of the OICW Increments II and III, we determined that the Army had not completed the requirements process for the OICW Increments II and III. As a result, we recommend that the Army discontinue further development and funding of OICW Increments II and III until each of those increments has a capability development document approved by the Joint Requirements Oversight Council.

(U) We considered management comments on the draft of this report when preparing the final report. Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

(U) **Scope.** We conducted this audit under Project No. D2006-D000AE-0049.000 from October 2005 through February 2006 in accordance with generally accepted government auditing standards. We limited the objective to determining the following: the approved required capabilities for the OICW Increments II and III; the course of action by the U.S. Army Infantry Center, the user representative, for determining the operational employment of the high explosive airbursting capability; and the activities by the Program Executive Office Soldier, the materiel developer of the OICW Program, to develop a materiel solution for the OICW Increments II and III. A third report will address contracting and funding processes for the OICW Program.

(U) **Background.** The OICW is a dual-engagement weapon: its primary subsystem fires a 25-millimeter airbursting munition, and its secondary subsystem fires the standard 5.56-millimeter munition. The Army designed the OICW as a one-for-one replacement for selected M16 and M4 modular weapon systems in all rifle and anti-armor warfighter units.

* * * * *

The Office of the Under Secretary of Defense has classified the OICW Program as a pre-Major Defense Acquisition Program or pre-Acquisition Category I Program. The Joint Requirements Oversight Council has indicated that the OICW has joint applicability. In addition, the OICW Program has been on the Director, Operational Test and Evaluation Oversight List since 1996. Appendix A illustrates the OICW incremental acquisition strategy. Appendix B is a glossary of technical terms used in this report.

* (U) Predecisional and source selection sensitive data omitted.

(U) OICW Increment II. Draft documentation for Increment II states that the weapon system will fire 25-millimeter, high explosive, airbursting munitions that will allow the soldier to acquire a target, day or night, using optical and thermal systems with a laser range finder.

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(U) OICW Increment III. * * * * *
* * * * * The operational requirements document for the original OICW (XM29), which the U.S. Army Training and Doctrine Command approved on February 11, 2000, required the dual-weapon system. However, the operational requirements document does not address an incremental acquisition strategy.

(U) Program Executive Office Soldier. The Program Executive Office Soldier's mission is to arm and equip soldiers to dominate the full spectrum of peace and war, now and in the future. Reporting to the Program Executive Office Soldier is the Project Manager Soldier Weapons who ensures that soldiers have needed weapons capabilities on present and future battlefields and maintains weapons' readiness for the Army through intensive management of the full acquisition life cycle. Reporting to the Project Manager Soldier Weapons is the Product Manager Individual Weapons who maintains and improves existing individual weapons, such as rifles, carbines, pistols, and grenade launchers for the Army and other Military Departments.

(U) Managers' Internal Control Program. We identified a material weakness in internal controls associated with the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) as defined by DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996. Although the internal controls outlined in the DoD 5000 series of guidance and Army Regulation 70-1, "Army Acquisition Policy," December 31, 2003, were adequate for controlling the OICW acquisition, the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) did not follow them for the OICW Program. DoD Inspector General Report No. D-2006-004, "Acquisition of the Objective Individual Combat Weapon," October 7, 2005, addressed this internal control weakness.

(U) Criteria. DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, and Chairman of the Joint Chiefs of Staff Instruction 3170.01E, "Joint Capabilities Integration and Development System," May 11, 2005, provide guidance on evolutionary acquisition and capability documentation.

(U) DoD Instruction. DoD Instruction 5000.2 requires each increment in an evolutionary acquisition program to begin with a system development and demonstration decision followed by a production and deployment decision. The Instruction identifies documents that support the system development and demonstration decision review, such as the capability development document.

*(U) Predecisional and source selection sensitive data omitted.

(U) Joint Chiefs of Staff Instruction. Chairman of the Joint Chiefs of Staff Instruction 3170.01E states that the Under Secretary of Defense for Acquisition, Technology, and Logistics will advise on whether the applicable capability roadmaps are in place to achieve the desired objective. Further, the Instruction states that the Joint Requirements Oversight Council is the final validation and approval authority for capability development documents for programs that have the potential for joint interest.

(U) Results. Although the Army did not have an approved requirement for the OICW Increment II, the Office of the Product Manager Individual Weapons (OICW Program Office) already spent \$59.6 million on development and plans to spend \$14.6 million on the continued development of the XM25 as the materiel solution for the OICW Increment II. Further, the Army had not prepared a capability development document for the XM29 to reflect the incremental acquisition approach to acquire the XM29 as the OICW Increment III. Without completing the capability development documents for OICW Increments II and III and obtaining Joint Requirements Oversight Council approval of those documents, the Army cannot be assured that the OICW will satisfy warfighter needs. Therefore, until the Army completes those tasks, the Army should discontinue further development and funding of OICW Increments II and III and put to better use the remaining \$14.6 million in research, development, test, and evaluation funds.

(U) OICW Increments II and III Program Requirements. The U.S. Army Infantry Center prepared a preliminary draft of the OICW Increment II capability development document dated June 9, 2005. As of April 2006, the U.S. Army Infantry Center had not submitted it to the U.S. Army Training and Doctrine Command for approval, according to a representative of the U.S. Army Infantry Center. Further, the U.S. Army Infantry Center had not produced a capability development document for OICW Increments II and III for Joint Requirements Oversight Council validation and approval. The U.S. Army Infantry Center concluded that producing a capability development document for OICW Increment II was premature because it had to conduct an analysis of capabilities and associated options and trade-offs to determine whether the Army needs a stand-alone, high explosive, airbursting weapon. Further, the U.S. Army Infantry Center will not produce a capability development document for OICW Increment III until it produces a concept and approach for assessing and developing a dual-capability weapon.

(U) Operational Deployment of a Stand-Alone, High Explosive, Airbursting Weapon. The U.S. Army Infantry Center identified several potential operational issues in deploying a stand-alone, high explosive, airbursting weapon, such as OICW Increment II (XM25). A stand-alone airbursting weapon would replace a soldier's M4 or M16 rifle, creating an immediate capability gap in close-range defense by eliminating that soldier's kinetic energy capability. To mitigate the capability gap in close-range defense, the soldier would have to carry a second weapon, resulting in an increased combat load. In addition, the ammunition and accompanying magazines for the stand-alone, high explosive, airbursting weapon are bulky; therefore, a soldier would only be able to carry approximately 20 rounds of airbursting ammunition.

(U) U.S. Army Infantry Center Analysis. The U.S. Army Infantry Center, with support from the U.S. Army Training and Doctrine Command, the Project Manager Soldier Weapons, and other agencies, plan to prepare a concept and overarching approach for assessing and developing OICW Increments II and III capabilities that will introduce a

high explosive airburst capability and develop it into a dual capability. The approach would analyze a range of options, such as an individual grenadier, to an arms-room concept, to a mix of individual and crew-served weapons. The analysis will also address trade-offs that may be acceptable, particularly regarding weight and lethality. According to a U.S. Army Infantry Center representative, initial analysis indicated that a counter-defilade capability was necessary. The representative stated that the Infantry Center will produce a capability development document for a counter-defilade capability after completing the analysis; however, the resulting document may not support the development of the current OICW Increments II and III materiel solutions.

(U) OICW Increments II and III Development. In September 2005, the OICW Program Manager stated that his office had requested that the U.S. Army Infantry Center produce a capability development document for OICW Increment II (XM25) for the following reasons.

- Without an approved capability development document in FY 2006, an initial airburst capability that can hit obstructed targets out to 600 meters might not be fielded until, in a worst-case scenario, FY 2020.
- The current contract, which was scheduled to end September 30, 2005, would expire if the Army did not commit to validating and approving a capability development document by the end of FY 2006.
- An approved capability development document was needed for OICW Increment II to enter the system development and demonstration phase of the acquisition process.

(U) Although OICW Increment III may not be technically feasible at the threshold weight of 14 pounds, the Army remains interested in providing a weapon with kinetic energy and high explosive, airbursting capabilities. In 2002, the OICW Program Manager assessed achievement of the warfighter-required weight of 14 pounds for the OICW Increment III weapon as high-risk in the near term if the U.S. Army Infantry Center did not make trade-offs that he suggested to meet weapon-weight requirements.

(U) In 2002, the Army Materiel Systems Analysis Activity assessed OICW Increment III at a high risk for not meeting weight and lethality requirements. However, an Activity representative stated that the caliber of the ammunition for OICW Increments II and III has increased and that testing showed that accuracy has improved. Therefore, those improvements reduced the risk of not meeting lethality requirements. However, the Army Materiel Systems Analysis Activity has not updated its weight assessment of OICW Increments II and III since 2002.

(U) In June 2005, the U.S. Army Infantry Center prepared a draft capability development document for OICW Increment II. However, as of April 2006, the U.S. Army Infantry Center had neither finalized that document nor submitted it to the U.S. Army Training and Doctrine Command for approval. Also, as of April 2006, the U.S. Army Infantry Center had neither committed to nor started production of a capability development document for OICW Increment III. However, the Picatinny Center for Contracting and Commerce, at the request of the OICW Program Office, continued to issue contract modifications that extended the period of performance for the development of OICW Increments II and III through March 31, 2006. The Picatinny Center for Contracting and

Commerce issued an additional contract modification effective April 14, 2006, to extend the development of OICW Increment II through October 14, 2006. In addition, the milestone decision authority had not approved OICW Increments II and III for entry into the system development and demonstration phase of the acquisition process. As of January 2006, the OICW Program Office had spent \$59.6 million¹ on the development of OICW Increments II and III without capability development documents approved by the Joint Requirements Oversight Council.

(U) Conclusion. The Army's continued development and funding of OICW Increments II and III, without having produced associated capability development documents and obtaining Joint Requirements Oversight Council approval for those documents, demonstrate a breakdown in the Army's internal controls. Further, without completing the capability development documents for OICW Increments II and III and obtaining Joint Requirements Oversight Council approval of those documents, the Army cannot be assured that the OICW Increments II and III satisfy warfighter needs with measurable improvements to mission capability in a timely manner. Until the Army develops capability development documents for OICW Increments II and III and obtains Joint Requirements Oversight Council approval, the Army should discontinue further development, including future contract modifications, and funding of OICW Increments II and III, as applicable, and put to better use the remaining \$14.6 million² in research, development, test, and evaluation funds.

Management Comments on the Finding and Audit Response (U)

(U) Summaries of management comments on the finding and audit responses are in Appendix C.

Recommendation, Management Comments, and Audit Response (U)

(U) We recommend that the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) discontinue further development, including future contract modifications, and discontinue research, development, test, and evaluation funding of the Objective Individual Combat Weapon Increments II and III, as applicable, until each increment has a capability development document approved by the Joint Requirements Oversight Council.

(U) Management Comments. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) neither concurred nor nonconcurred; however, he stated that a basic difference of opinion exists concerning the management of the OICW Program. Further, he stated that the Army followed the management controls for the OICW Program. The Assistant Secretary also stated that the Army viewed the OICW Program as an Acquisition Category II program as he previously stated in response to DoD Inspector General Report No. D-2006-004; therefore, the Army managed the OICW

¹(U) The OICW Program Office spent all \$59.6 million on the development of Increment II. The ammunition and fire control system components for Increment II are common with Increment III. According to the OICW Program Office, the development of these Increment II components will form the basis for the ammunition and fire control for Increment III.

²(U) The OICW Program Office plans to spend \$14.6 million in research, development, test, and evaluation funds in FYs 2006 through 2011 for Increment II.

Program as an Acquisition Category II program. In addition, he stated that the OICW Operational Requirements Document, which the U.S. Army Training and Doctrine Command approved, was the basis for OICW technological efforts. The Assistant Secretary further stated that programs approved before the implementation of the Joint Capabilities Integration and Development System were allowed to continue with their approved documents until the next milestone decision. He also stated that system development and demonstration milestone decision was the next milestone decision for OICW Increment II.

(U) The Assistant Secretary stated that on March 22, 2006, he signed an acquisition decision memorandum that approved the transition of OICW Increment II back to the technology base to address component refinement. Further, he stated that the transition would preserve technological gains made to date while the Army requirements community conducted the necessary analysis and prepared a Joint Capabilities Integration and Development System compliant document for the high explosive airbursting or counter-defilade capabilities. For the complete text of the Assistant Secretary's comments, see the Management Comments section of this report.

(U) Audit Response. Although the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) neither concurred nor nonconcurred with the recommendation, the action taken by the Assistant Secretary to move the OICW Increment II back to the technology base satisfied the intent of the recommendation. Therefore, no further comments are required.

(U) Although the Assistant Secretary believed that the Army followed the management controls for the OICW Program, the Army's implementation of the management controls for the OICW Program did not provide reasonable assurance that management was achieving the desired results through effective stewardship of public resources. Further, the weakness was serious enough to have been brought to the attention of higher level management as a point of information, as addressed in DoD Inspector General Report No. D-2006-004. Proper implementation of management controls would have provided the Assistant Secretary the appropriate information to identify the correct acquisition category for the OICW Program.

(U) The Assistant Secretary should have managed the OICW Program as an Acquisition Category I Program. The OICW is one program with three increments. DoD Inspector General Report No. D-2006-004 established that OICW Increment I had the potential to exceed the \$2.1 billion procurement threshold and require redesignation as an Acquisition Category I program. Therefore, if one of the Increments had the potential to be an Acquisition Category I program, then the entire program had the potential to be an Acquisition Category I program.

(U) Further, the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Director, Program Analysis and Evaluation should have been notified of the potential Acquisition Category I designation to determine whether the program should have been designated as an Acquisition Category I program and to evaluate and assess the analysis of alternatives, respectively. As a result of a meeting with representatives of the DoD Inspector General on June 20, 2005, the Military Deputy to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) requested his staff to arrange a meeting with the representatives from the Office of the Under Secretary of Defense for

Acquisition, Technology, and Logistics to determine the acquisition category of the OICW Program. On June 29, 2005, representatives from the Office of the Assistant Secretary met with the Deputy Director of Defense Systems, Land Warfare and Munitions, Office of the Under Secretary of Defense and others. They determined that the OICW Program met the criteria to be an Acquisition Category I program. Subsequently, the Director, Defense Systems, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics classified the OICW Program as a pre-Major Defense Acquisition Program or pre-Acquisition Category I Program.

(U) The Assistant Secretary should not have developed the XM25 as the materiel solution for OICW Increment II without the Joint Requirements Oversight Council approving the OICW Increment II Capability Development Document.³ If the Joint Requirements Oversight Council does not approve the OICW Increment II capability development document, the Army could potentially waste resources and impair the fulfillment of essential missions or operations, such as meeting warfighter needs in a timely manner.

(U) Although the March 22, 2006, acquisition decision memorandum states that the OICW Increment II was transitioned back to technology base, the OICW Increment II was transitioned to the technology development phase. According to a representative from the Office of the Assistant Secretary, the intent of the acquisition decision memorandum was to determine the exit criteria to proceed beyond the technology development phase into the system development and demonstration phase of the acquisition process. Further, according to the representative, the acquisition decision memorandum transferred OICW Increment II back to Budget Activity 3 level funding. However, Budget Activity 3 level funding is not used during technology base; instead, it is used for advanced technology development. Advanced technology development funds are normally applied in the technology development phase of the acquisition process. In addition, the acquisition decision memorandum states that Project Manager Soldier Weapons will manage the OICW Program, when the Army Materiel Command normally manages Army technology base programs.

³(U) Section 153, title 10, United States Code states that the Chairman of the Joint Chiefs of Staff is responsible for assessing military requirements for DoD acquisition programs.

(U) We appreciate the courtesies extended to the staff. Questions should be directed to Mr. John E. Meling at (703) 604-9091 (DSN 664-9091) or Mr. Jack D. Snider at (703) 604-9087 (DSN 664-9087). See Appendix D for the report distribution. The team members are listed inside the back cover.

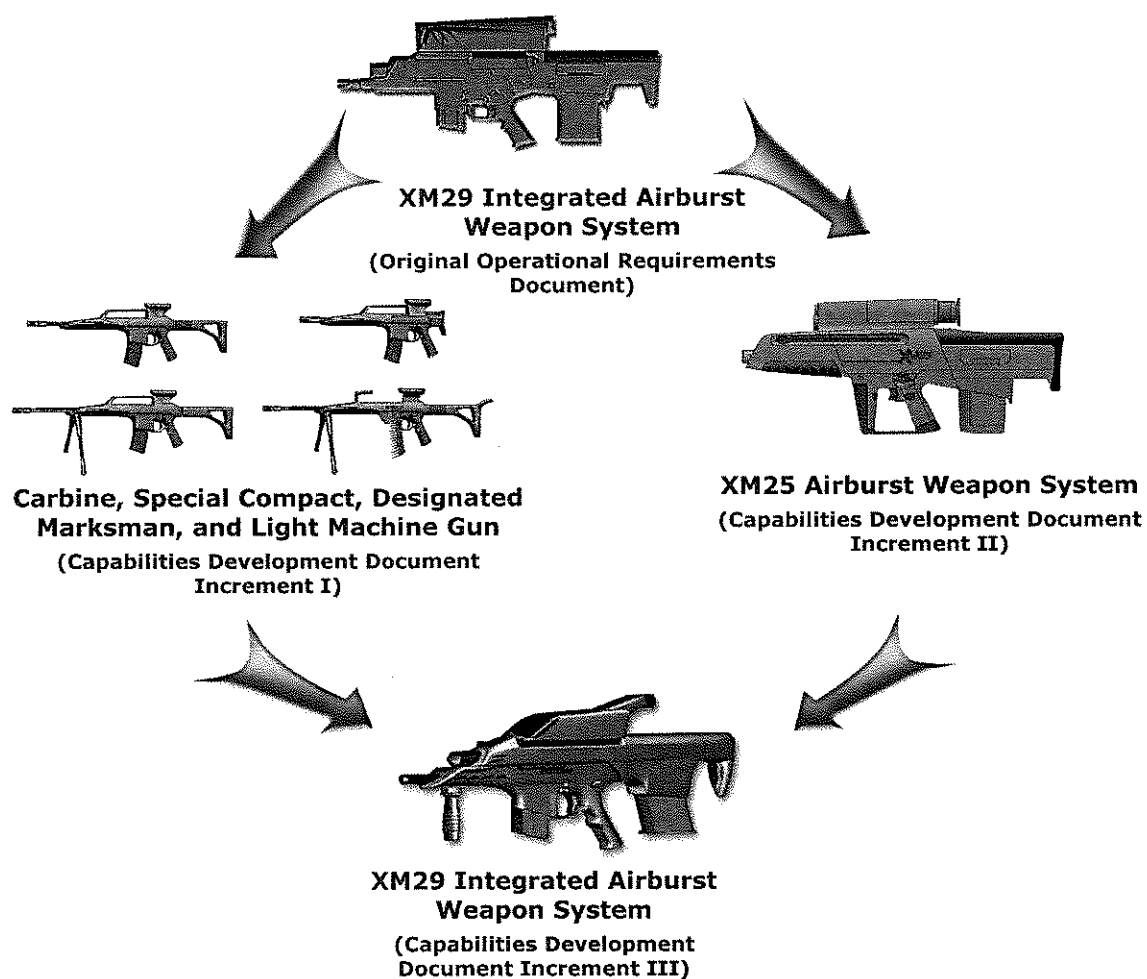
By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, appearing to read "Richard B. Jolliffe", with a stylized, flowing script.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

This special version of the report has been revised to omit predecisional and source selection sensitive data.

Appendix A. Incremental Acquisition Strategy for the Objective Individual Combat Weapon (U)



Source: Project Manager Soldier Weapons

Appendix B. Glossary (U)

(U) Acquisition Category I. An Acquisition Category I Program is defined as a Major Defense Acquisition Program estimated by the Under Secretary of Defense for Acquisition, Technology, and Logistics to require an eventual expenditure of research, development, test, and evaluation funds of more than \$365 million in FY 2000 constant dollars, or of procurement funds of more than \$2.19 billion in FY 2000 constant dollars, or is designated by the Under Secretary of Defense for Acquisition, Technology, and Logistics to be an Acquisition Category I Program.

(U) Acquisition Category IC. For this category, the DoD Component Head or, if delegated, the DoD Component Acquisition Executive is the milestone decision authority. The "C" refers to Component.

(U) Acquisition Category ID. For this category, the Under Secretary of Defense for Acquisition, Technology, and Logistics is the milestone decision authority. The "D" refers to the Defense Acquisition Board that advises the Under Secretary of Defense for Acquisition, Technology, and Logistics at major decision points.

(U) Acquisition Decision Memorandum. An acquisition decision memorandum is a memorandum signed by the milestone decision authority that documents decisions made as the result of a milestone decision review or decision review.

(U) Arms-Room Concept. An arms-room concept allows the commander to select force levels and weapons appropriate to the mission, and also to task-organize individual platoons and provide them with enough firepower to operate independently in a diverse and extended environment.

(U) Army Materiel Systems Analysis Activity. The Army Materiel Systems Analysis Activity is responsible for conducting materiel and logistics systems analysis to support decision making for equipping and sustaining the U.S. Army.

(U) Capability Development Document. A capability development document contains the information necessary to develop a proposed program, normally using an evolutionary acquisition strategy. The capability development document outlines an affordable increment of militarily useful, logistically supportable, and technically mature capability. The capability development document should be approved before the system development and demonstration decision review.

(U) Crew-Served Weapons. Crew-served weapons are weapons that require more than one individual to operate correctly.

(U) Defilade. Defilade is the arrangement of defensive fortifications to protect against enemy fire.

(U) Evolutionary Acquisition. An evolutionary acquisition delivers capability in increments, recognizing up front the need for future capability improvements. There are two approaches to achieving an evolutionary acquisition: spiral development and incremental development.

- **Spiral Development.** A desired capability is identified, but the end-state requirements are not known at program initiation. Requirements are refined through demonstration, risk management, and continuous user feedback. Each increment provides the best possible capability, but the requirements for future increments depend on user feedback and technology maturation.
- **Incremental Development.** A desired capability is identified and an end-state requirement is known. The requirement is met over time by developing several increments, each dependent on available mature technology.

(U) Grenadier. A grenadier is a soldier who carries a grenade launcher.

(U) Joint Capabilities Integration and Development System. The Joint Capabilities Integration and Development System supports the Chairman, Joint Chiefs of Staff and the Joint Requirements Oversight Council in identifying, assessing, and prioritizing joint military capability needs as required by law.

(U) Joint Requirements Oversight Council. The Joint Requirements Oversight Council validates and approves the Joint Capabilities Integration and Development System documents for joint programs and programs of joint interest to the Council.

(U) Materiel Developer. A command or agency responsible for research and development and production validation of an item. For the OICW Program, the Program Executive Office Soldier is the materiel developer.

(U) Materiel Solution. A materiel solution is a Defense acquisition program (nondevelopmental, modification of existing systems, or new program) that satisfies or is a primary basis for satisfying identified warfighter capabilities.

(U) Milestone Decision Authority. The milestone decision authority is the designated individual who has the overall responsibility for a program and is accountable for cost, schedule, and performance reporting to higher authority. The milestone decision authority has the authority to approve the program's entry into the next phase of the acquisition process.

(U) Modular Weapon System. A modular weapon system is the generic term for various devices and accessories on firearm systems. A modular weapon system adds flexibility and adaptability to many proven designs.

(U) Operational Requirements Document. An operational requirements document lists the performance parameters for the proposed concept or system.

(U) System Development and Demonstration. The system development and demonstration phase is the third phase of the DoD systems acquisition process. This phase consists of system integration and system demonstration and contains a design readiness review at the conclusion of the system integration effort.

(U) Technology Base. The technology base consists of basic and applied research efforts, which use Budget Activity 1 and 2 funds respectively.

Appendix C. Management Comments on the Finding and Audit Response (U)

(U) Our detailed response to the comments from the Project Manager Soldier Weapons (the Project Manager) on statements in a draft of this report follow. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) attached those comments as part of his response to the draft report. The complete text of those comments is in the Management Comments section of this report.

(U) Comments on Acquisition Category. The Project Manager stated that, in response to DoD Inspector General Report No. D-2006-004, a representative from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics stated that the OICW had not completed all the steps in the requirements and acquisition process necessary to reach the system development and demonstration phase of the acquisition process; therefore, the OICW was appropriately classified as a pre-Major Defense Acquisition Program. In addition, the Project Manager stated that the representative's response stated that the acquisition category designation would be evaluated at the system development and demonstration milestone decision. The Project Manager reiterated this point later in his comments.

(U) Audit Response. Until the OICW Program officially reaches the system development and demonstration phase of the acquisition process, we agree with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics' designation of the program as a pre-Major Defense Acquisition Program. According to a representative from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, the intent of the review at the system development and demonstration milestone decision will be to evaluate whether the Under Secretary of Defense should designate the OICW Program as an Acquisition Category IC or ID program.

(U) Comments on Necessary Program Documentation. The Project Manager stated that the DoD 5000 series requires all appropriate documentation to be completed for each applicable milestone, which is the system development and demonstration milestone decision for OICW Increment II. He also stated that as of February 17, 2006, the OICW Program Office was preparing all appropriate documents and would have them ready for the system development and demonstration milestone decision, which is scheduled for the fourth quarter of FY 2007. Further, the Project Manager stated that the comments by a representative from Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics to DoD Inspector General Report No. D-2006-004 indicated that the DoD acquisition framework allows a program manager to prepare for the award of a system development and demonstration contract in anticipation of a successful system development and demonstration milestone decision, which is program initiation. The Project Manager reiterated this point later in his comments.

(U) Audit Response. As discussed in the report, the Army did not have an approved requirement for the OICW Increments II and III. However, the Project Manager was already conducting system development and demonstration actions for OICW Increment II. On June 11, 2003, the Program Executive Officer Soldier, who was not the designated milestone decision authority, issued an acquisition decision memorandum that initiated the XM8 carbine as a project; the XM8 later became OICW Increment I. As a result of that acquisition decision memorandum, the OICW Program entered into the system development and demonstration phase of the acquisition process. The acquisition decision memorandum also allowed the Project Manager for OICW Increment II to use Budget Activity 5 funds, which are funds used for programs that have been approved to enter the system development and demonstration decision phase of the acquisition process and are conducting engineering and manufacturing development tasks to meet validated requirements before full-rate production. Accordingly, the Project Manager should have already completed and obtained all appropriate documents before using system development and demonstration funding.

(U) The Assistant Secretary's response to draft of this report also supports the fact that the program was already in the system development and demonstration phase of the acquisition process. His March 22, 2006, acquisition decision memorandum approved the transition of OICW Increment II back to the technology development phase of the acquisition process to address component refinement. For the Assistant Secretary to transition OICW Increment II back to the technology development phase, the OICW Program had to be beyond the technology development phase. The next phase of the acquisition process beyond the technology development phase is system development and demonstration. Because the OICW Increment II was in the system development and demonstration phase, the OICW Project Manager should have already completed and obtained all of the appropriate program documentation to support that phase of the acquisition process.

(U) We agree that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics representative stated that the DoD acquisition framework allows a program manager to prepare for the award of a system development and demonstration contract in anticipation of a successful system development and demonstration milestone decision. However, he did not endorse the development of a materiel solution for an unapproved requirement, as the Army did in developing the XM25 as a materiel solution for the OICW Increment II.

(U) Comments on Pre-Major Defense Acquisition Program. The Project Manager stated that the report states that "The Office of the Under Secretary of Defense has classified the OICW Program as a pre-Major Defense Acquisition Program or pre-Acquisition Category I Program." He stated that the phrase "pre-Acquisition Category I" does not exist in the DoD 5000 series documents.

(U) Audit Response. DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, identifies a Major Defense Acquisition Program as an Acquisition Category I program. Therefore, to provide clarification

to readers unfamiliar with acquisition programs, we defined a pre-Major Defense Acquisition Program as a pre-Acquisition Category I program.

(U) Comments on OICW Operational Requirements Document. The Project Manager stated that the Army approved the OICW Operational Requirements Document in February 2000 that required two capabilities: a dual-weapon system that could fire both high explosive airburst munitions and standard 5.56-millimeter ammunition. The Project Manager also stated that the Operational Requirements Document requires the two capabilities to separate into the OICW 5.56-millimeter weapon and the OICW airbursting weapon, which was the genesis for Increment I (XM8) and for Increment II (XM25), respectively.

(U) Audit Response. As of May 2006, the U.S. Army Infantry Center had not produced a capability development document for OICW Increments II and III for Joint Requirements Oversight Council validation and approval. Further, the February 2000 OICW Operational Requirements Document does not include a requirement for a stand-alone high explosive airbursting weapon. In addition, the April 12, 2000, performance specification for the XM29, prepared by the U.S. Army Tank-automotive and Armaments Command, specifically states that no requirement exists for a stand-alone high explosive airbursting subsystem.

(U) Comments on Approval of the OICW Increment I Capability Development Document. The Project Manager stated that the OICW Increment I capability development document, which the Army Requirements Oversight Council approved, specified that the Increment I and II capabilities would be combined into the dual-weapon system in Increment III.

(U) Audit Response. The Army Requirements Oversight Council does not approve requirements for programs with the potential for joint interest. According to section 153, title 10, United States Code, the Chairman of the Joint Chiefs of Staff is responsible for assessing military requirements for Defense acquisition programs. Further, Chairman of the Joint Chiefs of Staff Instruction 3170.01E, "Joint Capabilities Integration and Development System," May 11, 2005, states that the Joint Requirements Oversight Council is the final validation and approval authority for capability development documents for programs that have the potential for joint interest. We also noted that the Army Requirements Oversight Council approval of the OICW Increment I capability development document occurred after the Project Manager began work developing the XM25 as the materiel solution for OICW Increment II. Further, the unapproved OICW Increment I capability development document did not detail how the Army would combine OICW Increments I and II to form OICW Increment III.

(U) Comments on OICW Increment II Program Requirement. The Project Manager stated that a capability development document is required for a program to enter the system development and demonstration phase of the acquisition process. Further, he stated that the OICW Increment II has not entered the system development and demonstration phase. The Project Manager also stated that the Army is developing OICW Increment II to meet the airburst requirements of the February 2000 OICW Operational Requirements Document, which is still a valid requirement. In addition, he stated that on June 9, 2005, the U.S. Army Infantry

Center provided the OICW Program Office with a draft version of the OICW Increment II capability development document.

(U) Audit Response. We agree that an approved capability development document is required for a program to enter the system development and demonstration phase. However, as shown earlier, the OICW Program had already entered the system development and demonstration phase of the acquisition process. As a result of the acquisition decision memorandum that the Program Executive Officer Soldier signed on June 11, 2003, the Project Manager changed the type of funding used for development of the OICW Program from Budget Activity 4, advanced component and prototypes, to Budget Activity 5, system development and demonstration. Budget Activity 4 funds system-specific efforts that expedite technology transition from the laboratory to operational use. Budget Activity 5 funds programs that have been approved to enter the system development and demonstration phase of the acquisition process and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements before full-rate production.

(U) The Picatinny Center for Contracting and Commerce modified the OICW contract in July 2004 to begin development of the XM25 as the materiel solution for OICW Increment II before having an approved capability development document. The U.S. Army Infantry Center did not prepare the draft OICW Increment II capability development document until June 2005. In this regard, the Joint Requirements Oversight Council has not reviewed or approved the OICW Increment II capability development document. Further, as of May 2006, the U.S. Army Infantry Center had not submitted a capability development document for OICW Increments II and III to the U.S. Army Training and Doctrine Command for approval or to the Joint Requirements Oversight Council for validation and approval. In response to the Project Manager's comments, we revised the audit report to indicate that the U.S. Army Infantry Center prepared a preliminary draft of the OICW Increment II capability development document, but had not submitted it to the U.S. Army Training and Doctrine Command for approval.

(U) Comments on OICW Increment III Program Requirement. The Project Manager disagreed with our statement that "the U.S. Army Infantry Center will not produce a capability development document for OICW Increment III until it produces a concept and approach for assessing and developing a dual-capability weapon." He stated that the February 2000 OICW Operational Requirements Document, which the Army approved, was based on the Army Small Arms Master Plan and the analysis of alternatives for a dual-capability weapon, which the U.S. Army Training and Doctrine Command approved. Therefore, the Project Manager concluded that the analysis of a dual-capability weapon had already been completed.

(U) Audit Response. The Project Manager's conclusion was incorrect. On August 10, 2005, the Commanding General, U.S. Army Infantry Center issued a memorandum, "Small Arms Strategy," to the Commander, U.S. Army Training and Doctrine Command. In the memorandum, the Commanding General stated that the U.S. Army Infantry Center would develop a concept and overarching approach for assessing and developing the capabilities for OICW Increments II

and III. Further, the Commanding General stated that the analysis will determine the type of approach; force effectiveness; required capabilities; organization; basis of issue; and the doctrine, organization, training, materiel, leadership and education, personnel, and facilities implications for OICW Increments II and III. A representative from the U.S. Army Infantry Center confirmed that the Infantry Center would not write a capability development document for OICW Increments II or III until it conducted the analysis.

(U) Comments on U.S. Army Infantry Center Analysis Regarding Potential Capability Gaps. The Project Manager stated that the number one capability gap that the U.S. Army Infantry Center identified was the inability of an individual soldier to engage defilade targets. Further, he stated that the comments in the report regarding the creation of an immediate close-range defense gap and an increased load for the soldier were premature because the analysis detailed in the "U.S. Army Infantry Center Analysis" paragraph of this report still needed to be conducted. The Project Manager stated that one of the options in the analysis would be the stand-alone system. The Project Manager reiterated this point later in his comments.

(U) Audit Response. The Project Manager's statement contradicts his previous statement that the OICW analysis of a dual-capability weapon had already been completed. As discussed in the finding, the operational issues are "potential operational issues." The U.S. Army Infantry Center identified those potential operational issues as examples to show that further analysis was required before completing a capability development document for OICW Increment II. Because this analysis was incomplete, it was premature for the Army to spend \$59.6 million on the development of the XM25 as the materiel solution for the OICW Increment II.

(U) Comments on U.S. Army Infantry Center Analysis Regarding Ammunition Load. The Project Manager stated that we prematurely concluded that "the ammunition and accompanying magazines for the stand-alone, high explosive, airbursting weapon are bulky; therefore, a soldier would only be able to carry approximately 20 rounds of airbursting ammunition." He believed that our statement was premature because development of the magazines is pre-system development and demonstration. The Project Manager also stated that when compared with 40-millimeter grenades, the 25-millimeter ammunition was less bulky and that analysis and human factors engineering would determine how soldiers would carry the 25-millimeter ammunition. In addition, the Project Manager stated that the soldier's basic load of 40-millimeter grenades is 18 rounds compared to a basic load of 20 rounds of 25-millimeter ammunition. Further, he stated that the Army Materiel Systems Analysis Activity conducted an analysis on February 2, 2006, that indicated that the 25-millimeter ammunition was more effective than the 40-millimeter grenades and the 5.56-millimeter ammunition combined. The Project Manager reiterated this point later in his comments.

(U) Audit Response. The Project Manager's statement that analysis and human factors engineering would determine how soldiers will carry the 25-millimeter ammunition contradicts his previous statement that the OICW analysis of a dual-

capability weapon had already been completed. Further, a comparison of bulk between 40-millimeter grenades and 25-millimeter ammunition cannot be made because grenadiers carry 40-millimeter grenades individually in pockets on a vest, not in a magazine. Although a grenadier's basic load of 40-millimeter grenades is 18 rounds, a grenadier also carries 210 rounds of 5.56-millimeter ammunition. The Army Materiel Systems Analysis Activity analysis on February 2, 2006, supports the effectiveness of the airbursting capability over the 5.56-millimeter ammunition and 40-millimeter grenades. However, the U.S. Army Infantry Center was still assessing an operationally suitable method for deployment of the airbursting capability for OICW Increment II.

(U) Comments on U.S. Army Infantry Center Analysis Supporting OICW Increments II and III Development. The Project Manager stated that the OICW Increment II demonstrated that it can meet the U.S. Army Infantry Center's number one gap, which was the inability of an individual soldier to engage defilade targets with a 50 percent probability of a hit from 0 meters to 600 meters. Further, he stated that the intent of the OICW from its inception was to fill this capability gap. The Project Manager acknowledged that U.S. Army Infantry Center analysis might not support OICW Increments II and III. However, he stated previous U.S. Army Infantry Center analyses, such as the January 2000 OICW Analysis of Alternatives, supported OICW Increments II and III. Therefore, the Project Manager concluded that ongoing U.S. Army Infantry Center analysis might support OICW Increments II and III.

(U) Audit Response. The January 2000 OICW Analysis of Alternatives did not evaluate a stand-alone high explosive airbursting weapon alternative, such as the XM25 (later designated as the OICW Increment II). In addition, the February 2000 OICW Operational Requirements Document did not include a requirement for a stand-alone high explosive airbursting weapon. Further, the April 12, 2000, performance specification for the XM29, prepared by the U.S. Army Tank-automotive and Armaments Command, specifically states that the Army did not have a requirement for a stand-alone high explosive subsystem. The OICW Analysis of Alternatives, the Operational Requirements Document, and the performance specification only support the development of the dual-capability weapon.

(U) Comments on Expiration of Development Contract. The Project Manager commented on a statement in the report that paraphrased a request by the Product Manager Individual Weapons to the U.S. Army Infantry Center. Specifically, in the statement, the Product Manager Individual Weapons stated that "the current contract, which was scheduled to end September 30, 2005, will be terminated if the Army does not commit to validating and approving a capability development document by the end of FY 2006." The Project Manager stated that, although the intent of the statement was accurate, it was technically incorrect. Further, the Project Manager stated that the Product Manager Individual Weapons intended to convey to the U.S. Army Infantry Center that unless the Army validated and approved a capability development document, he would have no choice but to allow the current contract to expire with no additional contract modifications, thereby stopping the effort. The Project Manager also stated that the period of performance for the contract was extended until the end of the second quarter

FY 2006 to allow as much time as contractually possible for the Army to document its commitment.

(U) Audit Response. In response to the Project Manager's statement that the current contract will expire by end of the second quarter FY 2006, we revised the report to state that "the current contract, which was scheduled to end September 30, 2005, would expire if the Army did not commit to validating and approving a capability development document by the end of FY 2006." In this regard, on April 14, 2006, the Picatinny Center for Contracting and Commerce issued another contract modification, on behalf of the Project Manager, to continue development of the airbursting capability through October 14, 2006, even though the Army did not have a capability development document for OICW Increment II approved by the Joint Requirements Oversight Council.

(U) Comments on Entry of the OICW Program into the System Development and Demonstration Phase. The Project Manager stated that an approved capability development document was not required until the milestone review to authorize a program to enter into the system development and demonstration phase of the acquisition process. Further, he stated that the February 2000 OICW Operational Requirements Document was a valid requirements document upon which the OICW contract was based.

(U) The Project Manager also stated that the contract modifications to the OICW contract included work efforts that had been removed because of program funding decrements; those efforts were for program development before a system development and demonstration milestone decision. In addition, the Project Manager stated that the Picatinny Center for Contracting and Commerce was preparing to award another contract modification, but stopped those efforts until the Army made a decision on the direction of the OICW Program. He also commented on our statement: "Also, as of February 2006, the Picatinny Center for Contracting and Commerce was processing an additional contract modification to extend the development of OICW Increments II and III beyond March 31, 2006." The Project Manager commented that the statement implied that the contractual work was part of the system development and demonstration phase; however, he stated that all contractual efforts occurred before the OICW Increment II entered the system development and demonstration phase.

(U) In addition, the Project Manager commented on our statement "As of January 2006, the OICW Program Office spent \$59.6 million on the development of OICW Increments II and III without capability development documents approved by the Joint Requirements Oversight Council." The Project Manager stated that all funds were used appropriately and that an approved capability development document is not required until the system development and demonstration decision. Further, he stated that the XM29 contract and all work conducted before the system development and demonstration decision were based on the OICW Operational Requirements Document.

(U) Audit Response. Although an approved capability development document is required at the milestone review to authorize entry of a program into the system development and demonstration phase, the OICW Program, as earlier discussed,

was already in the system development and demonstration phase of the acquisition process without an approved capability development document. As discussed, the Picatinny Center for Contracting and Commerce also awarded contract modifications for OICW Increment II before the Project Manager had an approved capability development document.

(U) Comments on the Report's Conclusion. The Project Manager stated that the report's conclusion was based on the Army not having a capability development document that the Joint Requirements Oversight Council approved. Further, he stated that an approved capability development document was not required until the system development and demonstration decision of the acquisition process. The Project Manager also stated that the conclusion was flawed because:

- the current development was pre-system development and demonstration, and
- the original OICW Operational Requirements Document was still a valid requirements document upon which all development is based.

(U) Further, the Project Manager stated that his comments on the report's conclusion were supported by an unsigned OICW information paper written by the U.S. Army Training and Doctrine Command. The information paper provides an overview and history of the OICW requirement documentation. The information paper states that the Army had not completed the Joint Capabilities Integration and Development System documentation; however, it has documentation to support the research, development, test, and evaluation and the system development and demonstration of OICW Increments II and III. Further, the information paper states that a capability development document approved by the Joint Requirements Oversight Council was not required until the system development and demonstration milestone decision.

(U) Audit Response. See our response to the Project Manager's previous comments about "OICW Increment II Program Requirement."

Appendix D. Report Distribution (U)

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
 Director, Acquisition Resources and Analysis
Under Secretary of Defense (Comptroller)/Chief Financial Officer
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
Director, Operational Test and Evaluation
Director, Program Analysis and Evaluation
Director, Defense Procurement and Acquisition Policy

Joint Staff

Director, Joint Staff
 Director for Force Structure, Resources, and Assessment (J-8)

Department of the Army

Commander, Army Training and Doctrine Command
 Commanding General, Army Infantry Center
Assistant Secretary of the Army (Acquisition, Logistics, and Technology)
 Program Executive Officer Soldier
 Project Manager Soldier Weapons
 Product Manager Individual Weapons
Assistant Secretary of the Army (Financial Management and Comptroller)
Commander, Army Tank-automotive and Armaments Command
Commander, Army Test and Evaluation Command
Deputy Chief of Staff (G-3/5/7)
Deputy Chief of Staff (G-8)
Deputy Under Secretary of the Army (Operations Research)
Auditor General, Department of the Army
Commander, Army Research, Development and Engineering Command
 Director, Army Materiel Systems Analysis Activity
Deputy General Counsel (Acquisition)

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform

Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments (U)



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

SAAL-SMS

26 MAR 2006

MEMORANDUM FOR PRINCIPAL DIRECTOR FOR ACQUISITION, ACQUISITION
AND CONTRACT MANAGEMENT, OFFICE OF THE
INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Response to the Draft Report on the Acquisition of the Objective Individual
Combat Weapon Increments II and III

Thank you for your report regarding the U.S. Army's Objective Individual Combat
Weapon Increment II and III (OICW II & III) (TAB B).

The report makes the recommendation that the Army "discontinue further
development, including future contract modifications, and discontinue research,
development, test, and evaluation funding of the Objective Individual Combat Weapon
Increments II and III, as applicable, until each increment has a capability development
document approved by the Joint Requirements Oversight Council."

Response: There remains a basic difference of opinion on the management of
this program. The U.S. Army maintains that the management controls have been
followed. Our view, as stated in previous related report responses, was that the OICW
program was an Acquisition Category (ACAT) II program. As such, it was managed as
an ACAT II program. The development work, as well as the previous technological
work has been based on the Operational Requirements Document approved by the
U.S. Army Training and Doctrine Command (the Army's approval authority for the
program at the time). The Joint Capabilities Integration and Development System
(JCIDS) allows programs that were approved prior to the implementation of JCIDS to
continue with their approved requirements document until the next Milestone Decision
(MS). The next MS for OICW II is MS B, which it has not reached.

On March 22, 2006 I signed an Acquisition Decision Memorandum (TAB C)
directing that the OICW II program be transitioned back into the Technology base to
address component refinement for this important capability. I did so in order to preserve
the technological gains made to date, while the Army requirements community conducts
the necessary analysis and submits a new JCIDS compliant document supporting the
High Explosive Air Burst or Counter Deflate capability.

-2-

The Project Manager, Soldier Weapons has provided specific responses to your report, and they are attached at TAB A. I request that these comments be considered and incorporated in the final report and any follow-on reports.


Claude M. Bolton, Jr.

Assistant Secretary of the Army
(Acquisition, Logistics and Technology)

Enclosures

CF:
Under Secretary of Defense (Acquisition, Technology and Logistics)
Under Secretary of Defense (Comptroller/Chief Financial Officer)
Commander, U.S. Army Training and Doctrine Command
Assistant Secretary of the Army (Financial Management and Comptroller)
Director, Operational Test and Evaluation
Director, Program Analysis and Evaluation
Director, Defense Contract Management Agency
Director, Joint Staff
The Inspector General
Deputy Chief of Staff, G-3
Deputy Chief of Staff, G-8
Deputy Under Secretary of the Army (Operations Research)
Auditor General, Department of the Army
Commander, Army Test and Evaluation Command
Army Deputy General Counsel (Acquisition)
Program Executive Officer Soldier

Project Manager Soldier Weapons Comments (U)



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
Project Manager Soldier Weapons
Picatinny Arsenal, New Jersey 07806-5000

SFAE-SDR-SW

8 March 2006

MEMORANDUM THRU Program Executive Officer Soldier, 5901 Putnam Road, Bldg
328, Fort Belvoir, Virginia 22060

FOR Honorable Claude M. Bolton, Jr., Assistant Secretary of the Army (Acquisition,
Logistics, and Technology), 103 Army Pentagon, Washington, DC 20310-0103

SUBJECT: Response to Draft Report on Acquisition of the Objective Individual Combat
Weapon Increments II and III

Enclosed is my proposed response to the draft Report on Acquisition of the Objective
Individual Combat Weapon Increments II and III (U), project no. D2006-D000AE-
0049.000 dated February 17, 2006.

Encl


CARL A. LIPITT
COL, IN
Project Manager Soldier Weapons

**United States Army's
Substantiated Comments
And Corrections on
DoD IG Draft of a Proposed Report
D2006-D000AE-0049.000
Acquisition of the Objective Individual
Combat Weapon Increments II and III**

February 17, 2006

DoD IG Draft of a Proposed Report
February 17, 2006
D2006-D000AE-0049.000
Acquisition of the Objective Individual
Combat Weapon Increments II and III

Report Page No.: 1

Paragraphs commenting on: Paragraph I (U)

Comments/Additional Facts: Non-concur. The DoD Inspector General Report first paragraph states that the initial Report No. D-2006-0004, dated October 7, 2005, addressed an internal control weakness associated with the Office of ASA (ALT). The ASA (ALT) responded to the report on November 14, 2005: "The U.S. Army maintains that the management controls have been followed. Previously our view was that the OICW I was an Acquisition Category (ACAT) II program. As such, it was managed as an ACAT II program." In addition, the Office of the Under Secretary of Defense (AT&L) responded to DoD IG on December 1, 2005 stating that "Since OICW has not completed all the steps in the requirements and acquisition process necessary to reach Milestone B, it is appropriately classified as a Pre-MDAP program. The ACAT designation will be evaluated at Milestone B."

The first paragraph also states that the Army has not completed the requirements process for the OICW Increments II and III and as a result the DoD IG recommends that the Army discontinue further development and funding of OICW Increments II and III until each of those increments has a Joint Requirements Oversight Council-approved Capability Development Document (CDD). The DoD 5000 requires all appropriate documentation to be completed for the Milestone in question, for Increment II it is Milestone B. The PM Office is working on all appropriate documentation (drafts provided to DoD IG under separate cover) and will have them ready for the Milestone B decision currently scheduled for 4QFY07. In addition, the OUSD (AT&L) December 1, 2005 memorandum states that "The DoD acquisition framework permits a program manager to prepare for the award of a System Development and Demonstration (SDD) contract in anticipation of a successful Milestone B (program initiation) decision."

Report Page No.: 1

Paragraphs commenting on: Background

Comments/Additional Facts: Non-concur. DoD IG report states that "The Office of the Under Secretary of Defense has classified the OICW program as a pre-major Defense acquisition program or pre-Acquisition Category I program." The correct quote should be: The Office of the Under Secretary of Defense (AT&L) responded to DoD IG on December 1, 2005 stating that "Since OICW has not completed all the steps in the requirements and acquisition process necessary to reach Milestone B, it is appropriately classified as a Pre-MDAP program. The ACAT designation will be evaluated at Milestone B." The phrase "pre-Acquisition Category I program" does not exist in the DoD 5000 series documents.

Report Page No.: 2

Paragraphs commenting on: (U) Manager's Internal Control Program

Comments/Additional Facts: Non-concur. The ASA (ALT) responded to the report on November 14, 2005: "The U.S. Army maintains that the management controls have been followed. Previously our view was that the OICW I was an Acquisition Category (ACAT) II program. As such, it was managed as an ACAT II program." In addition, the Office of the Under Secretary of Defense (AT&L) responded to DoD IG on December 1, 2005 stating that "Since OICW has not completed all the steps in the requirements and acquisition process necessary to reach Milestone B, it is appropriately classified as a Pre-MDAP program. The ACAT designation will be evaluated at Milestone B."

Report Page No.: 3

Paragraphs commenting on: (U) Results

Comments/Additional Facts: Non-concur. DoD IG report states "Although the Army did not have an approved requirement for the OICW Increment II, the Office of the Product Manager, Individual Weapons has already spent \$59.6 million on the development OICW Increment II and still plans to spend another \$14.6 million on the continued development of the XM25 as a materiel solution for the OICW Increment II."

The February 2000, Army approved, Objective Individual Combat Weapon (OICW) Operational Requirements Document (ORD) (CARDS # 02045) calls for a dual weapon system that could fire high explosive air burst munitions as well as the standard 5.56mm munitions. In addition, the ORD requires the two capabilities to separate. The OICW 5.56mm separable weapon was the genesis of the Increment I (XM8) and the OICW air bursting weapon was the genesis of the Increment II (XM25). In addition, the AROC approved CDD specifies that the Increment I and II capabilities will be once again combined into a dual weapon system in Increment III. The DoD 5000 requires all appropriate documentation to be completed for the Milestone in question, for Increment II it is Milestone B. The PM Office is working on all appropriate documentation (drafts provided to DoD IG under separate cover) and will have them ready for the Milestone B decision currently scheduled for 4QFY07. In addition, the OUSD (AT&L) December 1, 2005 memorandum states that "The DoD acquisition framework permits a program manager to prepare for the award of a System Development and Demonstration (SDD) contract in anticipation of a successful Milestone B (program initiation) decision."

Report Page No.: 3

Paragraphs commenting on: (U) OICW Increments II and III Program Requirements

Comments/Additional Facts: Non-concur. A CDD is required for Milestone B decision to enter into SDD. OICW II is currently pre-MS B. The OICW Increment II is being developed to meet the airburst requirements of the Army February 2000 approved Operational Requirements Document (ORD) for the OICW (CARDS #02045). The ORD is still a valid requirements

document. In addition, the U.S. Army Infantry Center has worked on and provided the PM Office with a draft OICW Increment II CDD v1.3 on June 9, 2005.

The statement in the report that "the U.S. Army Infantry Center will not develop a capability development document for OICW Increment III until it develops a concept and approach for assessing and developing a dual capability weapon" is not entirely correct. In fact the Army February 2000 approved OICW ORD was based on the Army Small Arms Master Plan and TRADOC approved Analysis of Alternatives for a dual capability weapon; in effect the analysis has already been done.

Report Page No.: 3

Paragraphs commenting on: (U) Operational Deployment of a Stand-Alone, High Explosive Airbursting Weapon

Comments/Additional Facts: Non-concur.

Second sentence: The number one capability gap identified by the US Army Infantry Center is the inability of an individual soldier to engage defilade targets with a probability of hit of 0.5 for 0-600m. The comment "...creating an immediate close-range defense gap" is premature. The analysis stated in the "US Army Infantry Center Analysis" paragraph needs to be conducted. Part of that analysis is the stand alone system as one of the options.

Third sentence: The comment "...resulting in increased load for the soldier" is premature. The analysis stated in the following "US Army Infantry Center Analysis" paragraph needs to be conducted. And part of that analysis is the stand alone system as one of the options.

Fourth sentence: It's too early to make this statement. Development of the magazines is still Pre-MS B. When comparing the currently fielded 40mm grenades, the 25mm ammo is less bulky. Final determination on how ammunition will be carried still needs to be determined through analysis and human factors engineering.

Fifth sentence: It's too early to make this statement. When comparing the currently fielded 40mm grenades, the Soldier carries a basic load of 18 rounds. From the analysis conducted by the Army Material Systems Analysis Agency 2 Feb 06, the 25mm is more effective than the 40mm and 5.56mm combined. However, the final determination on the amount of ammunition that will be carried still needs to be determined through analysis and human factors engineering.

Report Page No.: 4

Paragraphs commenting on: (U) U.S. Army Infantry Center Analysis

Comments/Additional Facts: Non-concur.

Second sentence: This is the analysis that needs to be conducted prior to stating that the OICW II will "create an immediate close-range-defense gap" and "a soldier can only carry 20 rounds" as stated in the previous paragraph.

Fourth sentence: OICW II has demonstrated that it can fill the US Army Infantry Center's number one gap identified as the inability of an individual soldier to engage defilade targets with a probability of hit of 0.5 for 0-600m. This was the intent of the OICW from its very

inception. It is possible that new analysis may not support an OICW II and III however, it's possible that it may indeed support the OICW II and III as has all the previous analysis that the US Army Infantry Center had conducted, i.e.; the TRADOC approved AoA that supported the Army approved February 2000 OICW ORD.

Report Page No.: 4

Paragraphs commenting on: (U) OICW Increments II and III Development

Comments/Additional Facts: Non-concur.

First paragraph:

First bullet: It should be added that the ability to fill the US Army Infantry Center's number one gap, identified as the inability of an individual soldier to engage defilade targets with a probability of hit of 0.5 for 0-600m, will probably slip to FY2020 worst case.

Second bullet: Although the intent of the statement is accurate, it is technically incorrect. The intent was to convey that unless the Army commits to validating and approving a capability development document we have no choice but to allow the current contract to expire with no additional contract modifications and the effort would stop. The period of performance for the contract was extended until the end of 2QFY06 in order to allow as much time as contractually possible for the Army to document its commitment.

Second paragraph:

First sentence: The OICW Increment III, being the dual weapon system as the original OICW, has been proven to be technically feasible during the Advanced Technology Demonstration in 1999.

Second sentence: The US Army Infantry Center (USAIC) does not determine technical feasibility. This sentence should read: Concerning Technical Feasibility, in 2002 the OICW Program Manager assessed the achievement of the OICW III warfighter-required weight of 14 pounds as high risk in the near term unless the USAIC made the Program Manager's suggested trade-offs.

Third paragraph, Page 5:

First sentence: In fact, the USAIC had begun the development of the CDD for OICW II. The most recent draft of the OICW II CDD is dated 9 Jun 05 and is version 1.3. Additionally, the USAIC CG Small Arms Strategy memo dated 10 Aug 05 states that the OICW program remains a three-increment program whose overall strategy is to produce a dual capability, high-explosive airburst and kinetic energy weapon to fill identified individual small arms capability gaps. According to the Functional Needs Assessment dated Jun 2005 the number one small arms capability gap is the inability of individuals to hit targets in defilade from 0-600 meters. The most recent reaffirmation of the Army's commitment to the airburst capability is the Vice Chief of Staff of the Army's approval of the Small Arms Strategy briefed by the USAIC CG on 23 Jan 2006. The modernization aspect of the strategy includes airburst/counter-defilade capabilities. To support this strategy the USAIC is currently developing a Defilade Target ICD. In the meantime, the original OICW ORD is still a valid requirements document. It is this requirements document on which the contract is based. An approved CDD is not required until

MS B for entry into SDD. The contract modifications added back work efforts that were previously removed due to program funding decrements. The efforts are still Pre-MS B.
Second sentence: The Picatinny Center for Contracting was preparing to award another contract modification but has halted all efforts pending an Army decision on the program direction.
Third sentence: The statement implies that the contractual work was part of the SDD phase; all contractual efforts were Pre-SDD.
Last sentence: The funds were used appropriately. An approved CDD is not required until MS B for entry into SDD. The original OICW ORD is still a valid requirements document. It is this requirements document on which the contract is based and all pre-MS B development is based.

Report Page No.: 5

Paragraphs commenting on: (U) Conclusion

Comments/Additional Facts: Non-concur. The entire conclusion is based on not having a JROC approved CDD. An approved CDD is not required until MS B decision for entry into SDD. Since the current development is still Pre-MS B and the original OICW ORD is still a valid requirements document on which all pre-MS B development is based, the conclusion is flawed. This assertion is supported by the OICW Information Paper provided by LTG Curran, Director Futures Center, TRADOC on 9 February 2006. (Enclosure)

Report Page No.: 5

Paragraphs commenting on: (U) Recommendation

Comments/Additional Facts: Non-concur. The Army disagrees with this recommendation. Appropriate Research and Development OICW efforts should continue to ensure Soldiers are provided this critical capability. The DoD 5000 requires all appropriate documentation to be completed for the Milestone in question, for Increment II it is Milestone B. The PM Office is working on all appropriate documentation (drafts provided to DoD IG under separate cover) and will have them ready for the Milestone B decision currently scheduled for 4QFY07. In addition, the OUSD (AT&L) December 1, 2005 memorandum states that "The DoD acquisition framework permits a program manager to prepare for the award of a System Development and Demonstration (SDD) contract in anticipation of a successful Milestone B (program initiation) decision. Delaying these preparatory activities until after the milestone will add considerable time and cost to the SDD phase."

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Paragraphs commenting on: (U) Appendix B, Glossary

Comments/Additional Facts: Non-concur. The definition of a grenadier is incorrect. A grenadier is a Soldier who carries a grenade launcher.

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INFORMATION PAPER

SUBJECT: Objective Individual Combat Weapon (OICW) Program.

1. Purpose. Provide the Futures Center Director an overview and history of the OICW requirement documentation.

2. Facts.

a. DoDIG Discussion Draft of a Proposed Report, Project No. D2006-D000AE-0049.000, Acquisition of the Objective Individual Combat Weapon Increments II and III states:

"The Army had not completed the requirements process for the OICW Increments II and III. As a result, we recommend that the Army discontinue further development and funding of OICW Increments II and III until each of those increments has a Joint Oversight Council approved capability development document (CDD)."

b. Although technically correct, the JCIDS documentation has not been completed, however there is documentation in place to support RDTE and SDD of Increment II and III. A JROC approved CDD is not required until Milestone B.

c. Feb 2000 - TRADOC (who was the approving authority) approved the OICW Operational Requirements Document (ORD) for a dual weapon system containing a Kinetic Energy (KE) and High Explosive Airburst (HEAB) capability. The ORD stated in paragraph 1b, Type System Proposed:

"The OICW is a dual weapon system that combines high explosive (HE) air bursting munitions (AB), secondary kinetic energy (KE) munitions, and a rugged day/night full solution Target Acquisition/Fire Control System (TA/FCS) to affect decisively violent and suppressive target effects. The primary munition will be High Explosive Air Bursting (HEAB) munition. The secondary capability will be a munition with a range less than that of the HEAB munition but equal to or greater than that of the M4 carbine."

d. Jan 2002 - The DA G8 directed TRADOC to rewrite the OICW ORD using a new blocking approach. This revised ORD was submitted to TRADOC in September 2002. Subsequently (Mar 2003) the ORD was returned to USAIC with instructions to undertake further analysis to support the blocking strategy. The ORD stated in paragraph 1.5, Describe Proposed System:

"The OICW combines High Explosive Air Bursting (HEAB) munitions, secondary kinetic energy (KE) munitions, and a rugged day/night

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full solution Target Acquisition/Fire Control System (TA/FCS) to destroy or suppress personnel targets."

Paragraph 1.8, Evolutionary Development states:

"A single step approach presents an unacceptable risk of not meeting key performance parameters within schedule and cost constraints. Evolutionary development of the OICW will be conducted in a series of blocks, each providing an operationally useable increment of capability. Requirements in Block 1 represent what is achievable given a low risk approach as determined by AMSAA. The needs described in this ORD will be fully satisfied by Block 3.

e. Jun 2004 - USAIC submitted a new JCIDS compliant OICW CDD Increment I to HQ TRADOC for validation and submission to HQDA for approval. CDD was AROC approved in October 2004. The CDD stated in paragraph 5, Program Summary:

"Subsequent increments will be based upon feedback from System Development and Demonstration (SDD) activities of Increment I and will be shown as a requirement in the CDD update for Increment II (Spiral Development).

- Increment I: Family of KE Weapons
- Increment II: HEAB (Lethal and Non-lethal) munitions
- Increment III: Dual KE and HEAB system

Since both KE and HEAB technology must come together for an Increment III weapon system, a parallel development path will be pursued for both KE and HEAB subsystems.

f. This is consistent with the strategy outlined in Director Futures Center Memorandum that states we will sustain the current fleet of weapons while continuing development of a future family of weapons and deliver documentation upon completion of analysis.

LTC Franklin Clark/ATFC-DF/4083
APPROVED BY: _____

Team Members

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Acquisition and Contract Management prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

Richard B. Jolliffe
John E. Meling
Jack D. Snider
Kevin W. Klein
Deborah J. Thomas
Zelideth Rodriguez-Velazquez
Jillisa H. Milner